SMF Eligible Rollover Fund Guide (SMF.12)

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This guide has been prepared and issued by IOOF Investment Management Limited (IIML) ABN 53 006 695 021, AFS Licence No 230524 as Trustee of the SMF Eligible Rollover Fund ABN 82 810 851 250. IIML is a company in the IOOF group comprising IOOF Holdings Ltd (ABN 49 100 103 722) and its related bodies corporate.

The information in this document forms part of the Product Disclosure Statement (PDS) for the SMF Eligible Rollover Fund dated 1 July 2017.

If you would like to request a paper copy of the PDS or this guide free of charge, please call us on 1800 677 306.

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About the SMF Eligible Rollover Fund

Your privacy

We are committed to protecting your privacy. Any personal information we collect about you will be handled in accordance with our privacy policy, which outlines how we manage your personal information, how you may access or correct your personal information, and how you may complain about a breach of your privacy. To obtain a copy of the IOOF group privacy policy, please contact our Client Services Team on 1800 677 306 or visit our website (ioof.com.au/privacy).

We collect your personal information from the application form you complete when applying for this product for the purpose of providing you with the products and services that you request and for related purposes, including providing you with financial advice and ongoing services in relation to your account with us, or providing information about other products and services that may be of interest to you. If you do not provide all the information requested in your application form, we may not be able to process your application.

To verify your identity for Know Your Customer (KYC) purposes, we may also solicit personal information about you from reliable identity verification service providers.

We may disclose your information to our related bodies corporate or external parties, including your financial adviser or employer, banks or other financial institutions, medical professionals, insurers, legal or accounting firms, auditors, mail houses, or when required or authorised to do so by law. It is generally unlikely that we will disclose your personal information overseas, however any overseas disclosure does not affect our commitment to safeguarding your personal information and we will take reasonable steps to ensure any overseas recipient complies with Australian privacy laws.

How super works

Contributions to the Fund

Rollovers of super benefits into the Fund can be made from other super funds, Approved Deposit Funds (ADFs) or superannuation annuities. Rollovers and transfers are not subject to contribution rules.

Please note that you cannot make contributions to the Fund other than additional rollovers once you have an account with us.

Accessing your super

The Commonwealth Government requires you to meet certain conditions before you can withdraw your super as a cash lump sum. Please note that this Fund does not provide a pension but pension products can be arranged within the IOOF group. The information in this guide only relates to lump sum cash withdrawals from the Fund.

General conditions for withdrawing the various components of your super

Components	When can you withdraw your super in cash?
Unrestricted non-preserved benefits	At any time.
Restricted non-preserved benefits	When you: • terminate employment with an employer who has contributed to your super account • retire on or after reaching your preservation age • reach age 65.
Preserved benefits	When you: • retire on or after reaching your preservation age • reach age 65.
All components	Can be transferred to another super fund or super account at any time.

Restricted non-preserved and preserved benefits

Both restricted non-preserved and preserved benefits become unrestricted non-preserved amounts when one of the following conditions of release is satisfied:

- you permanently retire from the workforce on or after reaching your preservation age
- you leave employment after age 60
- you reach age 65
- you become permanently incapacitated or terminally ill.

Once you have met one of the above conditions, your entire benefit is unrestricted non-preserved and you can withdraw your benefit as a lump sum from the Fund.

To request a full or partial lump sum withdrawal from your account please complete a Withdrawal form available from our website (ioof.com.au) or from our Client Services Team on 1800 677 306.

The tax consequences associated with making withdrawals are described in the 'How super is taxed' section of this guide.

Other conditions of release may be available in limited circumstances. These include if you:

- become temporarily disabled
- are a temporary resident departing Australia permanently
- suffer severe financial hardship
- qualify on compassionate grounds
- provide the Fund with a release authority from the ATO, which allows you to withdraw any excess non-concessional contributions plus 85 per cent of associated earnings, or up to 85 per cent of excess concessional contributions or an amount to pay tax on concessional contributions for high income earners.

Under super law, there are strict qualifying criteria that must be met in each of these circumstances and not all of these circumstances allow a total withdrawal from your account. In addition, restrictions can apply to the form of payment.

Retirement definition

For a person who has reached their preservation age, retirement occurs when an arrangement under which you were gainfully employed has ceased and you never intend to become gainfully employed again for more than 10 hours per week.

For a person aged 60 or over, retirement can also occur when an arrangement under which you were gainfully employed has come to an end. At age 65, you can be paid your benefit even though you have not left work.

Preservation age

Generally, you cannot access your super until you retire after reaching preservation age. Currently the preservation age is age 56. However you may have a different preservation age as follows:

Date of birth	Preservation age
Before 1 July 1960	55
1 July 1960 – 30 June 1961	56
1 July 1961 – 30 June 1962	57
1 July 1962 – 30 June 1963	58
1 July 1963 – 30 June 1964	59
After 30 June 1964	60

Can you transfer your benefit?

You can transfer your benefit to another complying super fund that is willing to accept it, at any time.

Special rules for temporary residents

If you are a temporary resident of Australia, you can generally access any Australian super benefits you have if:

- you satisfied a condition of release before 1 April 2009 under the rules that applied at that time
- you leave Australia and your temporary visa has been cancelled or expired (known as a departing Australia superannuation payment)
- you suffer temporary or permanent incapacity or a terminal illness
- you die (in which case the super benefits would be paid to your beneficiaries).

If you do not take your super benefit as a departing Australia superannuation payment (DASP) within 6 months of departing from Australia, the trustee must pay the super benefits to the ATO as instructed. You can later claim the amount of the benefits back from the ATO. Where benefits are transferred to the ATO in this manner, the Trustee will rely on ASIC relief and will not issue you with an exit statement in respect of the super benefit at the time of, or after, the benefit is transferred. If you would like more information about how to claim your super benefits from the ATO as a temporary resident, please visit the ATO website (ato.gov.au).

Nominating your death benefit beneficiaries

It is important for you to consider who you would like to receive the balance of your account in the event of your death. You can nominate one or more beneficiaries to receive your benefit, and in the event of your death we will take this into consideration when deciding to whom to pay your benefit. However we are under no obligation to comply with your request, with the Trustee retaining sole discretion as to whom the payment is made.

Each person you nominate must either be a dependant or your legal personal representative.

We recommend that you regularly review your nominations to ensure that if your circumstances change, your nomination reflects your current situation.

To make or amend a nomination please visit our website (ioof.com.au) or contact our Client Services Team on 1800 677 306.

Risks of super

All investments carry risk. Different strategies may carry different levels of risk, depending on the assets that make up the strategy. Assets with the highest long-term returns may also carry the highest level of short-term risk.

General risks when investing in super

- Your investment may not be sufficiently diversified if you do not spread your investments across different asset classes, sectors, managers and styles.
- In the case of an investment in an illiquid investment, your ability to make a lump sum withdrawal from that investment may be delayed, reduced or unavailable until sufficient assets from that investment can be redeemed to fund the withdrawal.
- System failures may cause a delay in the processing of transactions to your account (or with investment managers).
- There may be a delay in purchasing or redeeming your investment if the trustee does not receive a properly completed and authorised instruction from you.
- Delays may occur where minimum investment or withdrawal limits are imposed by investment managers.
- Economic conditions, interest rates and inflation may cause adverse investment returns.
- Changes can occur in super, taxation or other laws that may adversely affect your investment (such as affecting your ability to access your investment). These changes may also affect the operation of your super product or the investment option into which you invest.
- We are required to transfer to the ATO as unclaimed money:
  - those accounts of uncontactable members with balances less than $6,000 where the Fund has not received a rollover within the previous 12 months
  - those accounts which have been inactive for 12 months and for which there are insufficient records to identify the owner of the account.
- The Trustee could be replaced or the super fund could be wound up. There is also a risk that we will not carry out our duties as Trustee properly. To minimise this risk we have implemented a number of risk management strategies and corporate governance policies and procedures to assist us to meet our obligations. As Trustee, we are always required to act in the best interests of members.

Risks that may affect the IOOF MultiMix Conservative Trust investment option

Type of risk	Explanation
Market risk	Investment returns are influenced by the performance of the market overall. Unexpected changes in conditions (such as economic, technological or political developments) can have a negative impact on the returns of all investments within a particular market.
Company or security-specific risk	Within each asset class, company or security-specific risk refers to the many risks that can affect the value of a specific security (or share).
Currency risk	Investments in international markets can be exposed to changes in exchange rates. If foreign currencies fall in value relative to the Australian dollar, they have an adverse impact on investment returns from investments denominated in those countries, if those currencies are unhedged.
Liquidity risk	Liquidity risk is the risk that a particular investment will not be able to be converted into cash or disposed of at market value.
Derivatives and gearing risk	The Trustee and the underlying investment managers of the IOOF MultiMix Conservative Trust may utilise a range of derivative instruments including futures, options and forward foreign exchange contracts. Investment managers generally use derivatives to control the various risks associated with investing by modifying the exposure to particular assets, asset classes or currencies. Most commonly, derivatives are used for hedging and investment purposes. Hedging involves establishing offsetting positions in derivative markets to protect the value of the underlying physical assets from anticipated adverse price movements over time. Derivatives are also frequently used by investment managers as an alternative to investing in physical assets because of their cost and liquidity efficiency. Gains or losses can result from investments in derivatives. In addition to any risk associated with the underlying asset (or index) for which a derivative is valued, derivative prices are affected by other factors including: • market liquidity • interest rates • counterparty risk. The Trustee manages these factors within its normal day to day operations by aiming to ensure the use of derivatives will always be consistent with and subordinate to the investment strategy of the IOOF MultiMix Conservative Trust to ensure its objectives are met.
Credit risk	Credit risk is the risk that a party to a contract will fail to perform its contractual obligations resulting in a financial loss.
Investment manager risk	The IOOF MultiMix Conservative Trust has one or more investment managers to manage the investments. There is a risk that the investment manager may not perform to our expectations, meet its stated objectives or under-perform as compared to other investment managers.

Risk bands

The Standard Risk Measure is based on industry guidance to allow members to compare investment options that are expected to deliver a similar number of negative annual returns over any 20 year period.

The Standard Risk Measure is not a complete assessment of all forms of investment risk, for instance it does not detail what the size of a negative return could be or the potential for a positive return to be less than a member may require to meet their objectives. Further, it does not take into account the impact of administration fees and tax on the likelihood of a negative return.

Members should still ensure they are comfortable with the risks and potential losses associated with their chosen investment option/s.

Risk band	Risk label	Estimated number of negative annual returns over any 20 year period
1	Very low	Less than 0.5
2	Low	0.5 to less than 1
3	Low to medium	1 to less than 2
4	Medium	2 to less than 3
5	Medium to high	3 to less than 4
6	High	4 to less than 6
7	Very high	6 or greater

The Fund currently only offers a single investment option which falls into Risk band 3.

How super is taxed

How super is taxed

This section provides you with some general information about the tax implications of investing in the SMF Eligible Rollover Fund, including:

- what tax applies to withdrawals
- how investment income is taxed.

The laws relating to super, including tax laws, are complex and subject to change from time to time. We recommend that you obtain professional advice on the tax consequences before investing.

Tax treatment of investment income

The following table describes the general treatment of investment income derived from the investments held in super.

Investment income	General rate of tax
Interest and income distributions	15%
Realised capital gains • held for 12 months or less • held for longer than 12 months	 15% 10%*

* The tax rate for super funds is 15 per cent; however capital gains on assets held for more than 12 months are discounted by 33 per cent, resulting in an effective rate of 10 per cent.

The rate of tax is applied to income after allowing for tax deductible expenses. The actual tax paid may be further reduced by franking credits received by the super fund. A franking credit is a tax credit available to the super fund for the tax that has already been paid by the issuing company on dividends received on shares in the investment option.

Tax on capital gains

Realised capital gains can arise:

- from distributions of net capital gains from investment managers
- if investments are redeemed.

When is tax deducted from your super account?

The SMF Eligible Rollover Fund invests through a managed investment scheme which distributes investment earnings to the Fund. Investment earnings are taxed before being credited to your account (including an allowance for tax on realised and unrealised net capital gains). Tax deductions available for administration costs are also reflected in the investment earnings credited to your account.

Important note

We pay the tax on investment income, therefore investment income is not declared as taxable income in your personal income tax return each year.

Tax on withdrawals

Benefits paid at age 60 or more

Lump sum withdrawals within your super fund are tax-free.

Benefits paid before turning age 60

Your accumulated super benefit can be paid as one or more lump sum withdrawals. A lump sum withdrawal comprises a tax-free component and a taxable component. Benefits paid from your account before turning age 60 are split into a tax-free component and a taxable component on a proportional basis. You can only make withdrawals on this proportionate basis. The tax-free component is the sum of all tax-free components held in your account divided by the account balance and then converted to a percentage. For withdrawals from your super account, the percentage of tax-free component is calculated at each withdrawal.

The sum of the tax-free components includes any after-tax personal or spouse contributions, any tax-free component calculated and crystallised within your account as at 30 June 2007, and the tax-free components of amounts transferred into your account from other super accounts. These components are taxed as follows.

Component	Amounts included in the component	Tax treatment
Tax-free	Any tax-free components transferred into the super fund on your behalf.	Tax free and not included in assessable income.
Taxable	Balance	Under preservation age: • 20% (plus Medicare Levy). Preservation age to age 59: • Up to a threshold of $200,000*: 0% • Excess over threshold: 15% (plus Medicare Levy).

* Threshold increases annually with movements in Average Weekly Ordinary Time Earnings rounded down to the nearest $5,000.

For withdrawals from your super account, the tax-free and taxable components will be allocated to the withdrawal on a pro rata basis.

Tax treatment of disability benefits

The taxation of a lump sum withdrawal received upon total and permanent disablement (TPD) is generally similar to tax on withdrawals. However, the tax-free component will be increased to include the proportion of the benefit that relates to the period from the date you left your employment due to TPD until the date you reach age 65.

Tax treatment of death benefits

The tax on a lump sum payment made in the event of your death will depend on who receives the benefit.

The payment will be tax-free if it is made to your death benefits dependants (either directly or through your estate). For tax purposes, a death benefits dependant includes:

- your spouse
- your children under age 18 (including a natural child, stepchild, adopted child or child of your spouse)
- a person who is partially or wholly financially dependent on you at the date of death
- a person with whom you have an interdependency relationship at the date of death.

Lump sum benefits paid to a dependant who is not a death benefits dependant are taxed on a similar basis to lump sum benefits paid to those under age 60. However, the $200,000 threshold does not apply and the tax rate on the taxable component will be 15 per cent (plus the Medicare Levy). These rates apply regardless of whether the recipient is under or over the preservation age.

Special tax rates for temporary residents

Temporary residents who have departed Australia permanently can claim their Australian super as a Departing Australia Superannuation Payment Withholding tax of 38 per cent generally applies to the taxable component of these payments. A higher withholding tax of 65 per cent applies for former temporary residents on working holiday visas.